

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-95
Universal Service)	
_____)	

**COMMENTS OF THE
UNITED STATES TELECOM ASSOCIATION**

The United States Telecom Association (USTA),¹ through the undersigned and pursuant to Federal Communications Commission (FCC) Rules 1.415 and 1.419,² hereby submits its comments in response to the FCC's *Further Notice*³ in the above-docketed proceeding. In this phase of the CC Docket 96-45 proceeding, the FCC seeks more focused comments on whether to assess universal service contributions based on the number and capacity of connections provided to a public network by interstate telecommunications services providers.⁴ As discussed below, USTA believes that certain principles should guide the FCC as it considers whether to move from the current interstate retail revenues-based contribution methodology to another methodology such as the connections-based approaches presented in the *Further Notice*.

¹ USTA is the Nation's oldest trade organization for the local exchange carrier industry. USTA represents over 670 carrier members that provide a full array of voice, data and video services over wireline and wireless networks. USTA members support the concept of universal service, and its carrier members are leaders in the provision of advanced telecommunications services to American and international markets.

² 47 C.F.R. §§ 1.415 and 1.419.

³ *Federal-State Joint Board on Universal Service*, Further Notice of Proposed Rulemaking and Report and Order, CC Docket No. 96-45, FCC 02-43 (rel. Feb. 26, 2002) (*Further Notice*).

DISCUSSION

The FCC correctly notes that “the telecommunications marketplace has changed rapidly and technologies have evolved” since 1997 when it “adopted a system under which telecommunications providers contribute to universal service based on their end-user revenues.”⁵ Competition in the local exchange voice market has expanded dramatically as a result of substantial competitive inroads by competitive local exchange carriers (CLECs), commercial mobile radio service (CMRS) providers and fixed wireless service providers. Cable modem Internet access is currently the predominant broadband platform for high-speed access to the Internet. Satellite-based telecommunications services have emerged as viable alternatives to telecommunications services provided over terrestrial-based networks.

Rapidly changing markets and technologies are not the only forces that threaten to erode the current contribution base for universal service. Regulatory policies adopted by the FCC could have a dramatic impact on the contribution base for universal service, as well as the level of universal service support needed by carriers serving high cost areas. The FCC has released rulemaking notices concerning the regulatory classification of high-speed Internet access services provided over wireline telecommunications facilities and cable facilities.⁶ The regulatory classification decisions made by the FCC in these proceedings could result in a substantial broadening or narrowing of the current contribution base. FCC action that results in a narrowing of the current contribution base would be exceedingly problematic, especially for carriers serving high cost areas and that depend on universal service funds in order to make

⁴ *Id.* at ¶ 2.

⁵ *Id.* at ¶ 1.

⁶ See *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, Notice of Proposed Rulemaking, FCC 02-42 (rel. Feb. 15, 2002). See also *Appropriate Regulatory Treatment for Broadband Access to the Internet Over Cable Facilities*, CS Docket No. 02-52, Notice of Proposed Rulemaking, FCC 02-77 (rel. Mar. 15, 2002).

necessary capital investments and provide voice services at affordable rates. The FCC's pending rulemaking proceeding concerning a unified inter-carrier compensation regime⁷ could result in interconnecting carriers having to secure virtually all cost recovery, except that provided by universal service mechanisms, from their end-user customers. This would increase the need for high cost support for many carriers well beyond today's levels.

As it evaluates alternatives to the current interstate revenue-based contribution mechanism, the FCC must remain attentive to Section 254's mandate that universal service support mechanisms be explicit, specific, predictable, sufficient and competitively neutral. In addition to being competitively neutral, USTA believes that any contribution methodology adopted by the FCC should: 1) provide for the long-term sustainability of universal service support mechanisms; 2) not allow for customer misperceptions as to the shared responsibility for universal service support among telecommunications carriers;⁸ 3) not increase administrative burdens; 4) fairly spread the risk resulting from un-collectible charges and assessments;⁹ and 5) avoid narrowing the contribution base.

At this time, USTA leaves open the possibility that a contribution mechanism with a connections-based component could satisfy the requirements of Section 254 and the principles set forth above. USTA does not endorse any of the connections proposals presented in the *Further Notice* in these comments. It may be that the current contribution mechanism, with

⁷ *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, FCC 01-132 (rel. Apr. 27, 2001).

⁸ Placing the universal service contribution collection responsibility on some interstate carriers and not on others can result in the customers of the collecting carriers having a negative image of the collecting carriers. To the extent that Section 254 contemplates a shared responsibility for universal service support among all interstate carriers, the collection mechanism should not result in customer misperceptions as to the shared nature of the responsibility.

⁹ Placing the universal service contribution collection responsibility on some interstate carriers and not on others creates increased financial exposure for the collecting carriers to the extent that their un-collectible customers accounts are significant. The risk of financial loss is increased for carriers bearing a disproportionately high collection responsibility. This inequity could provide a competitive advantage to carriers that have no collection responsibility or a disproportionately low collection responsibility.

perhaps a few modifications, is the best contribution mechanism considering the requirements of Section 254, as well as practical and administrative considerations. USTA did comment in response to the *2001 Notice*¹⁰ concerning the collection of contributions on a flat-fee basis and found the proposals under consideration at that time to be objectionable. USTA intends to consider all of the comments filed in response to the *Further Notice*, and it will then offer its input as to whether any of the connections-based proposals provides a better alternative to the current revenue-based contribution mechanism, or the current revenue-based contribution mechanism with modifications.

Respectfully submitted,

UNITED STATES TELECOM ASSOCIATION

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¹⁰ See Comments of the United States Telecom Association, filed on June 25, 2001, at pp. 4-5, filed in response to *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Notice of Proposed Rulemaking, 16 FCC Rcd 9892 (2001) (*2001 Notice*).

CERTIFICATE OF SERVICE

I, Meena Joshi, do certify that on April 22, 2002, Comments Of The United States Telecom Association was either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the attached service list.

/s/Meena Joshi _____
Meena Joshi